LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 27, 2011

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: **HB2251** by Bonnen (Relating to the continuation and functions of the Texas Public Finance Authority.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2251, As Engrossed: a positive impact of $13,563,933 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	$782,079
2013	$12,781,854
2014	$30,280,192
2015	$40,447,198
2016	$42,728,190

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Bond Proceed-Gen Obligat* 780
2012	$782,079	($300,000,000)
2013	$12,781,854	($300,000,000)
2014	$30,280,192	($300,000,000)
2015	$40,447,198	($300,000,000)
2016	$42,728,190	($300,000,000)

Fiscal Analysis

The bill would amend statute relating to the continuation and operation of the Texas Public Finance Authority (TPFA). TPFA is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue TPFA for 12 years and would take effect immediately if it receives a vote of two-thirds, otherwise the bill would take effect on September 1, 2011.

Sections 1 and 8: The bill would continue the operation of TPFA for 12 years, until September 1, 2023. The bill would take effect immediately if it receives a vote of two-thirds, otherwise the bill would take effect September 1, 2011.

Section 2: The bill would amend Chapter 1232 of the Government Code to add negotiated rulemaking and alternative dispute resolution provisions.

Sections 3 and 5: The bill would amend Chapter 1232 of the Government Code and Chapter 55 of the Education Code to remove Stephen F. Austin State University as an entity that TPFA may issue bonds for. In addition, the bill would authorize TPFA to issue bonds for certain institutions of higher education, including the Texas State Technical College System, upon agreement with those institutions, and allow TPFA to be reimbursed for its related costs.

Section 4: The bill would amend Chapter 1232 of the Government Code to allow multiyear projects funded by the Cancer Prevention and Research Institute of Texas (CPRIT) to begin after the TPFA certifies obligations in an amount sufficient to fund the project that has been authorized by TPFA's governing board and by the Bond Review Board. The bill would require the TPFA Board to pay the costs of issuance and any related bond administrative costs of TPFA; certify to CPRIT and to the Comptroller that the proceeds are available; and deposit the proceeds into the state treasury to be credited to CPRIT's account.

Section 6: The bill would amend Chapter 102.257 of the Health and Safety Code to remove the requirement that funds for multiyear projects awarded by CPRIT be maintained in an escrow account and require CPRIT to distribute funds as needed.

Section 7(a): The bill would provide that the proposed changes in Section 6 would apply to any grant awarded by CPRIT for multiyear projects after September 1, 2011; and that multiyear grants made before September 1, 2011, are governed by the law in effect on the date the grant was made, and the former law is continued in effect for that purpose.

Section 7(b): The bill would provide that the proposed changes related to Sections 3 and 5 would be effective for bonds issued on or after the effective date of the bill; and that bonds authorized before the effective date of the bill are governed by the law in effect on the date the bonds were authorized, and the former law is continued in effect for that purpose.

Methodology

ASSUMPTIONS
Sections 1, 2, 3, 5, 4, and 7: It is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Section 6: Based on information provided by TPFA, the estimated savings related to the provision in the bill which removes the escrow requirement for CPRIT debt is $13,563,933 in General Revenue in the 2012-13 biennium. The bill would allow the debt issuance to be delayed until CPRIT needs the funds to reimburse grantees. The savings estimates could change based on actual interest rates, issuance schedules, and costs of issuance which could impact the long term cost of the debt.

It is assumed that the legislature would appropriate $300,000,000 in General Obligation Bond Proceeds each fiscal year of the 2012-13 biennium and that the bond debt is issued as the funds are needed under the provisions of the bill, or on a staggered issuance schedule, for CPRIT agency operations and grant reimbursements. If the debt was issued under the provisions of the bill, the cost for the related debt service is estimated to be $1,297,373 in fiscal year 2012 and $7,770,064 in fiscal year 2013 out of General Revenue.

In comparison, assuming the legislature would appropriate $300,000,000 in General Obligation Bond Proceeds each fiscal year of the 2012-13 biennium and the debt is issued under current law, the related debt service is estimated to be $2,079,452 in fiscal year 2012 and $20,551,918 in fiscal year 2013 out of General Revenue.

In addition, according to information provided by TPFA, with an immediate effective date approximately $213,200,000 in general obligation bond proceeds anticipated to be issued in fiscal year 2011 for cancer related grants, would be issued on a staggered issuance schedule. Issuing this debt under the provisions of the bill, would reduce the debt service requirements, resulting in additional savings in General Revenue estimated to be $8,110,523 in fiscal year 2012 and $11,642,755 in fiscal year 2013.

Other debt service assumptions for the debt service estimates above include the issuance of taxable debt at a six percent interest rate and a 20 year level principal repayment schedule.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 347 Public Finance Authority, 542 Cancer Prevention and Research Institute of Texas, 719 Texas State Technical College System Administration, 755 Stephen F. Austin State University, 304 Comptroller of Public Accounts

LBB Staff: JOB, AG, MS, EP, KM, KK, SD